

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06  
AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03  
CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 AGRE-00  
FEAE-00 ERDA-05 /102 W  
-----141946Z 046068 /65

R 141806Z JAN 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 4738  
INFO AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
USMISSION USBERLIN  
USMISSION NATO BRUSSELS  
USNMR SHAPE  
AMCONSUL FRANKFURT  
AMCONSUL MUNICH  
AMCONSUL BREMEN  
AMCONSUL DUSSELDORF  
AMCONSUL HAMBURG  
AMCONSUL STUTTGART  
CINC USAFE RAMSTEIN  
CINC USAREUR HEIDELBERG  
CINC EUR VAIHINGEN

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DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: N/A  
TAGS: EFIN, ECON, GW  
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SUBJECT: CONCERTED ACTION MEETING MARKED BY LACK OF  
CONFLICT

1. RITUALISTIC AND NON-CONFLICTIVE WERE THE ADJECTIVES  
USED BY OUR CONTACTS TO DESCRIBE THE JANUARY 11  
PERIODIC ECONOMIC POLICY MEETING LABELED "CONCERTED  
ACTION" WHICH BRINGS TOGETHER LEADING REPRESENTATIVES

OF GOVERNMENT, BUSINESS, LABOR, AND THE BUNDESBANK. GIVEN THE STRIDENCY OF RECENT PUBLIC COMMENTS BY LABOR LEADERS CRITICISING THE GOVERNMENT'S ECONOMIC POLICY AND CALLING FOR HEFTY WAGE INCREASES, SOME HAD EXPECTED FIREWORKS AT THE MEETING. HOWEVER, WE WERE TOLD BY VARIOUS SOURCES THAT LABOR REPRESENTATIVES WERE QUITE MODERATE AND GAVE NO SIGN OF A SHARP DEPARTURE FROM THEIR PREVIOUS COOPERATIVE ATTITUDE. IT HAS BEEN OBSERVED THAT THE FACT THAT LABOR AND MANAGEMENT ARE CURRENTLY ENGAGED IN A ROUND OF WAGE NEGOTIATIONS, WHEREIN THE FORMER ARE DEMANDING IN THE NEIGHBORHOOD OF 10 PERCENT AND THE LATTER ARE OFFERING AROUND 5 PERCENT, CALLS FOR A CERTAIN AMOUNT OF GRANDSTANDING FOR THE RANK AND FILE INsofar AS PUBLIC MEDIA TREATMENT IS CONCERNED. HOWEVER, BEHIND THE CLOSED DOORS OF THE CONCERTED ACTION MEETING, SUCH PRETENSES WERE APPARENTLY DROPPED. THE BUSINESS REPRESENTATIVES HAD NOT ANTICIPATED THAT THE LABOR PERFORMANCE WOULD BE SO DOCILE. THEY WERE SIMILARLY TAKEN ABACK BY THE FACT THAT THE BUNDESBANK, FOR THE FIRST TIME IN THE TEN YEARS THAT THESE MEETINGS HAVE BEEN HELD, WAS COMPLETELY SILENT. THE GOVERNMENT PARTICIPANTS TOLD US THAT THE AFFAIR CAME OFF AS THEY HAD EXPECTED, WITH NO CONTROVERSY NOR NOTABLE DEVELOPMENTS, EACH SIDE RECITING THEIR TRADITIONAL AND OFT-HEARD POSITIONS.

2. THE PRESENTATION MADE BY ECONOMICS MINISTER FRIDERICH'S REITERATED THE GOAL OF FRG ECONOMIC POLICY LIMITED OFFICIAL USE

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TO INSURE BOTH CONTINUED GROWTH AND FURTHER PROGRESS TOWARD STABILITY, THEREBY IMPROVING "STEP-BY-STEP" THE EMPLOYMENT SITUATION. WITHOUT (PRICE) STABILITY, THE EMPLOYMENT SITUATION CANNOT BE IMPROVED, HE SAID, NOR CAN THIS BE ACHIEVED BY SHORT-TERM, AD HOC STIMULATION PROGRAMS. HE CONTEMPLATED A LONGER-TERM GOVERNMENT PROGRAM TO STABILIZE GROWTH WHICH WILL, OF COURSE, ALSO EVENTUALLY AFFECT THE ECONOMIC SITUATION AND EMPLOYMENT. TURNING TO BUSINESS, FRIDERICH'S REITERATED THE NEED FOR PRICE RESTRAINT AND, MOREOVER, URGED RELIEF FOR THE LABOR MARKET BY REPLACING OVERTIME WORK WITH NEW HIRINGS. FRIDERICH'S REPORTEDLY ASSURED THE PARTICIPANTS THAT THERE WOULD SOON BE A CLARIFICATION REGARDING THE LONGER-TERM PROGRAM.

3. THE ECONOMICS MINISTRY ASSESSMENT WAS THAT THE CURRENT UNDERLYING BUSINESS SITUATION IS GOOD, AND THAT THE FORCES POINTING TO A CONTINUATION OF THE

RECOVERY CONTINUED TO PREVAIL. FOREIGN DEMAND WAS  
FORECAST TO INCREASE IN THE COMING MONTHS WITH  
CONSUMER SPENDING PROPENSITY BEING ANOTHER SUSTAINING  
ELEMENT IN THE UPTURN. THE DANGERS CITED WERE THE  
BALANCE OF PAYMENTS PROBLEMS OF IMPORTANT FOREIGN  
CUSTOMERS WHICH HAVE BEEN INTENSIFIED IN  
RESPONSE TO RECENT OIL PRICE INCREASES.

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L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 AGRE-00

FEAE-00 ERDA-05 /102 W

-----141947Z 046115 /65

R 141806Z JAN 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4739

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION USBERLIN

USMISSION NATO BRUSSELS

USNMR SHAPE

AMCONSUL FRANKFURT

AMCONSUL MUNICH

AMCONSUL BREMEN

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AMCONSUL STUTTGART

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

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4. THE LABOR REPRESENTATIVE (VETTER) REFERRED TO  
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THE UNSATISFACTORY SITUATION OF THE LABOR MARKET.  
HE REPORTEDLY AGREED WITH MINISTER FRIDERICH'S IN  
PLACING THE CRITICAL PACE OF ECONOMIC GROWTH AT 4.5  
PERCENT. IF THIS RATE IS NOT REACHED, THEN  
UNEMPLOYMENT THREATENS TO INCREASE FURTHER.

5. THE BUSINESS INTERESTS MADE THEIR USUAL PLEA FOR  
TAX RELIEF AND WAGE RESTRAINT IN ORDER TO ENCOURAGE  
PRIVATE INVESTMENT AND THEREBY ASSURE FUTURE ECONOMIC  
GROWTH. IN VIEW OF THE MODERATION SHOWN BY THE LABOR  
REPRESENTATIVES, THE INDUSTRIAL SIDE BEHAVED LIKEWISE  
IN THEIR CONCERTED ACTION PARTICIPATION, WE ARE TOLD.

6. THE CONCERTED ACTION MEETING WAS ALSO THE OCCASION  
FOR THE RELEASE OF "TARGET" FIGURES FOR VARIOUS  
ECONOMIC INDICATORS IN 1977. WE WERE TOLD BY THOSE  
INVOLVED IN THEIR PREPARATION THAT THEY FORESHADOW  
THE CONTENT INsofar AS THE MAGNITUDES ARE CONCERNED,  
THE GOVERNMENT'S ANNUAL ECONOMIC REPORT WHICH WILL  
BE ISSUED AT THE END OF THIS MONTH. HIGHLIGHTS  
INCLUDE A TARGET FOR REAL GNP GROWTH OF 5 PERCENT.  
(WE HAVE BEEN TOLD PRIVATELY BY AN INDUSTRIAL ASSOCIA-  
TION (BDI) ECONOMIST THAT A SURVEY OF THEIR LEADING  
MEMBERS IS SOMEWHAT MORE PESSIMISTIC THAN EARLIER  
AND IS IN THE RANGE OF 1.5 PERCENT THE ECONOMIST SAID HE  
WAS FORECASTING 2.5 PERCENT REAL GROWTH IN 1977.  
THIS RATHER PESSIMISTIC VIEW MAY BE IN PART A REFLEC-  
TION OF THE STAGE AT WHICH CURRENT WAGE NEGOTIATIONS  
PRESENTLY FIND THEMSELVES, AND THEREFORE SHOULD  
BE TREATED ACCORDINGLY -- AS ALSO SHOULD THE GOVERNMENT  
TARGETS.) INFLATION AS MEASURED BY THE PRIVATE CONSUMP-  
TION DEFLATOR IS SET AT 4 PERCENT FOR 1977 AND EMPLOY-  
MENT IS TARGETED TO GROW BY ONE-HALF PERCENT. THIS  
LATTER WOULD RESULT IN AN UNEMPLOYMENT RATE IN THE  
RANGE OF 3.5 TO 4 PERCENT AS COMPARED WITH THE 4.6  
PERCENT IN 1976. THE 14 PERCENT INCREASE IN BUSINESS  
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INCOME IN 1976 IS LOWERED TO 9.5 PERCENT IN 1977 IN  
THE GOVERNMENT'S TARGET FORECAST, WHEREAS THE WAGE

INCREASES ON A GROSS BASIS ARE FIXED AT 7.5 PERCENT,  
OR VERY NEAR THE LEVEL RECORDED IN 1976. THE TABLE  
DETAILING THE FOREGOING MATERIAL PREPARED BY THE  
ECONOMICS MINISTRY FOLLOWS:

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CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 AGRE-00  
FEAE-00 ERDA-05 /102 W  
-----141948Z 046099 /42

R 141806Z JAN 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 4740  
INFO AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
USMISSION USBERLIN  
USMISSION NATO BRUSSELS  
USNMR SHAPE  
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AMCONSUL STUTTGART  
CINC USAFE RAMSTEIN  
CINC USAREUR HEIDELBERG  
CINC EUR VAIHINGEN

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ECONOMIC GROWTH AND OTHER DATA  
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-----  
(PERCENT)  
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1976 (1) 1977 (2)  
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EMPLOYMENT	-1.1	0.5	
UNEMPLOYMENT RATE		4.6	3.5-4
GDP (1962 PRICES)	5.4	5.0	
GNP (CURRENT PRICES)	8.9	9.0	
PRIVATE CONSUMPTION	8.1	8.5	
PUBLIC CONSUMPTION	6.3	7.5	
GROSS FIXED INVESTMENT	7.0	9.5	
INVENTORY CHARGES (DM BILLION)	(13.2)	(19.0)	
NET FOREIGN BALANCE (DM BIL)	(24.5)	(26.0)	

DEFLATORS  
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PRIVATE CONSUMPTION	4.5	4.0
GNP	3.1	3.5

INCOME DISTRIBUTION  
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GROSS WAGES PER EMPLOYEE	7.3	7.5
GROSS INCOME FROM BUSINESS AND PROPERTY	14.1	9.5

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(1) ESTIMATED PERFORMANCE

(2) FRG TARGETS

STOESSEL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, WAGES, MEETINGS, MEETING REPORTS, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 14-Jan-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977BONN00831  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770015-0189  
**Format:** TEL  
**From:** BONN  
**Handling Restrictions:** n/a  
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**Legacy Key:** link1977/newtext/t19770153/aaaabtqi.tel  
**Line Count:** 318  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 62fa04da-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 22-Nov-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3600683  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CONCERTED ACTION MEETING MARKED BY LACK OF CONFLICT  
**TAGS:** EFIN, ECON, ELAB, GE  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/62fa04da-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
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22 May 2009  
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